

BEFORE THE STATE BOARD OF EQUALIZATION
OF THE STATE OF CALIFORNIA

In the Matter of the Appeal of)
CLARENCE W. AND CORNELIA V. JONES }

For Appellants: John H. Baker
 Attorney at Law

For Respondent: Crawford H. Thomas
 Chief Counsel

Peter- S. Pierson
Associate Tax Counsel

O P I N I O N

This appeal is made pursuant to section 18594 of the Revenue and Taxation Code from the action of the Franchise Tax Board on the protests of Clarence W. and Cornelia V. Jones against proposed assessments of additional personal income tax in the amounts of \$345.44, \$418.36, and \$353.96 for the years 1958, 1959, and 1960, respectively,

Appellants, together with Jaresa Farms, Inc., now Harris Farms, Inc., are partners in the J & J Ranch. In the early 19 50's the partnership purchased certain farming property near Firebaugh, California, for a price of \$400 per acre. Gradually the saline water tables under portions of this property began to rise to the surface causing reduced productivity and decreasing the market value of the land. In order to restore the productivity, tile drains were installed to remove surface as well as subsurface salts through underground water diversion. In the type of soil involved, such drains normally achieve within five or ten years a salt balance condition whereby the salt removed annually equals the quantity applied in the irrigation water. For tax purposes for the years in question, the cost of the tile drains was deducted from income as a current expense. However, respondent has determined. that the cost should have been capitalized,

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The issue thus presented is whether the purchase and installation of tile drains on farm lands should be capitalized or allowed as a current deduction. This same question was presented in the Appeal of Jaresa Farms, Inc., now Harris Farms, Inc., this day decided. We there held that appellants' corporate partner could not obtain the benefit of a current deduction of the cost of the tile drains. This appeal must be resolved in the same manner as that of appellants' corporate partner, (Cf. Rev. & Tax. Code, §§1722⁴ and 24369.)

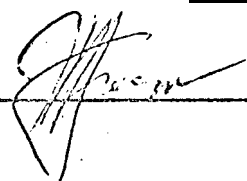
O R D E R

Pursuant to the views expressed in the opinion of the board on file in this proceeding,--and good cause appearing therefor,

IT IS HEREBY ORDERED, ADJUDGED AND DECREED, pursuant to section 18595 of the Revenue and Taxation Code, that the action of the Franchise Tax Board on the protests of Clarence W. and Cornelia V. Jones against proposed assessments of additional personal income tax in the amounts of \$345.44, \$418.36, and \$353.96 for the years 1958, 1959, and 1960, respectively, be and the same is hereby sustained.

Done at Sacramento , California, this 15th day of December , 1966 , by the State Board of Equalization.

_____, Chairman
Paul R. Leake, Member
John W. Lynch, Member
Richard H. Allen, Member-
_____, Member

ATTEST: , Secretary